Strategy Update

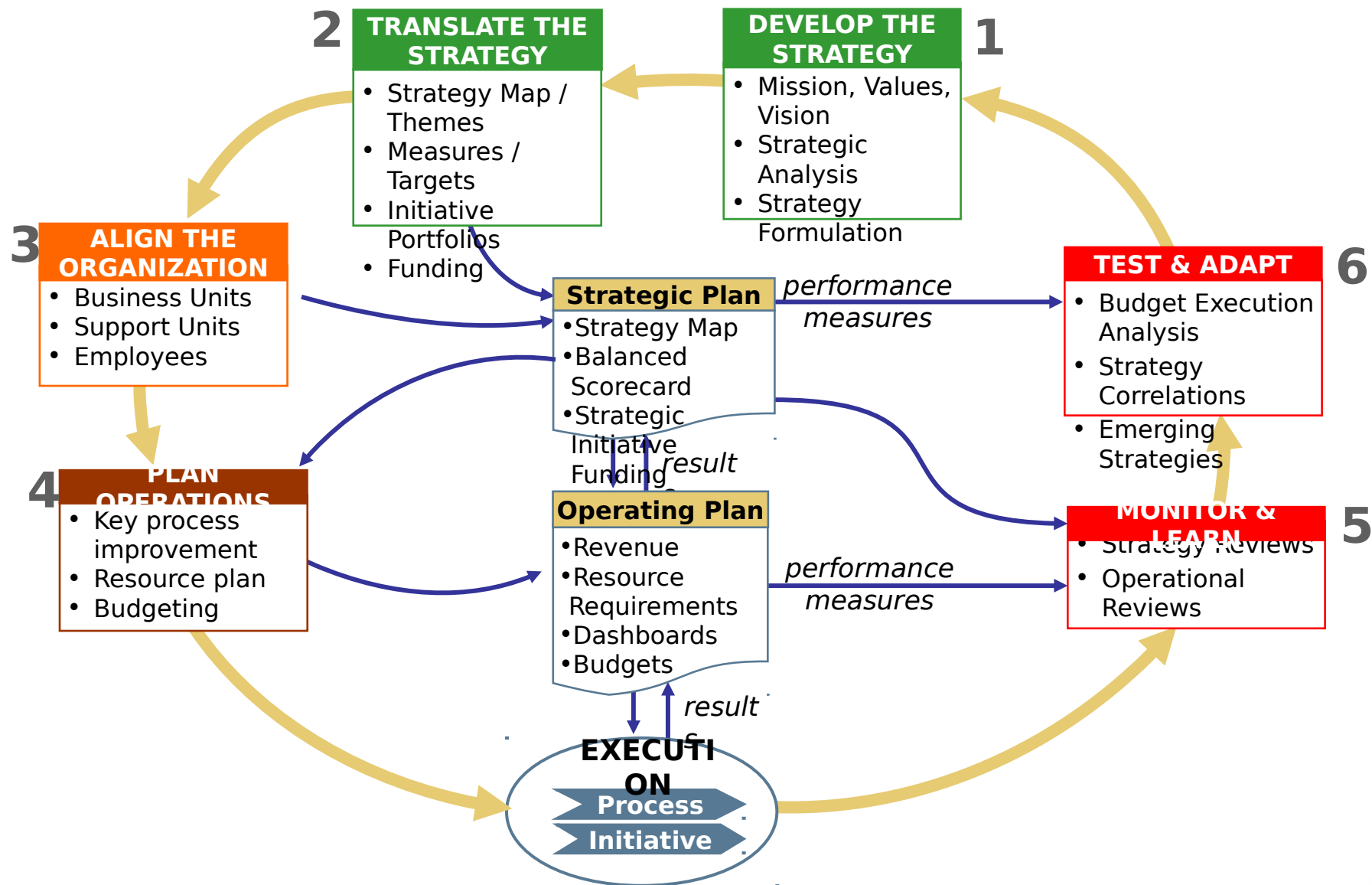## Nancy Zmyslinski
November 4, 2009

- **Review April Offsite outcomes**
- **Review Execution Premium Model**
- **Introduce approved DFAS Strategy**
- **Provide overview of Strategic Themes**
- **Provide overview of Strategic Committees**
- **Share progress to-date since April Offsite**
- **Discuss next steps**

● **April 2009 Executive Offsite**

  ✓ Introduced vision of DFAS corporate strategy and strategy execution

  ✓ Presented the Execution Premium model

  ✓ Introduced an early version of the Agency strategy map and received leadership input and feedback

  ✓ Introduced updates to governance model tied to strategy

The Execution Premium Model

2 **TRANSLATE THE STRATEGY**
- Strategy Map / Themes
- Measures / Targets
- Initiative Portfolios
- Funding

1 **DEVELOP THE STRATEGY**
- Mission, Values, Vision
- Strategic Analysis
- Strategy Formulation

3 **ALIGN THE ORGANIZATION**
- Business Units
- Support Units
- Employees

6 **TEST & ADAPT**
- Budget Execution Analysis
- Strategy Correlations
- Emerging Strategies

Strategic Plan
- Strategy Map
- Balanced Scorecard
- Strategic Initiative Funding

performance measures

results

4 **PLAN OPERATIONS**
- Key process improvement
- Resource plan
- Budgeting

Operating Plan
- Revenue
- Resource Requirements
- Dashboards
- Budgets

performance measures

5 **MONITOR & LEARN**
- Strategy Reviews
- Operational Reviews

EXECUTION
Process
Initiative

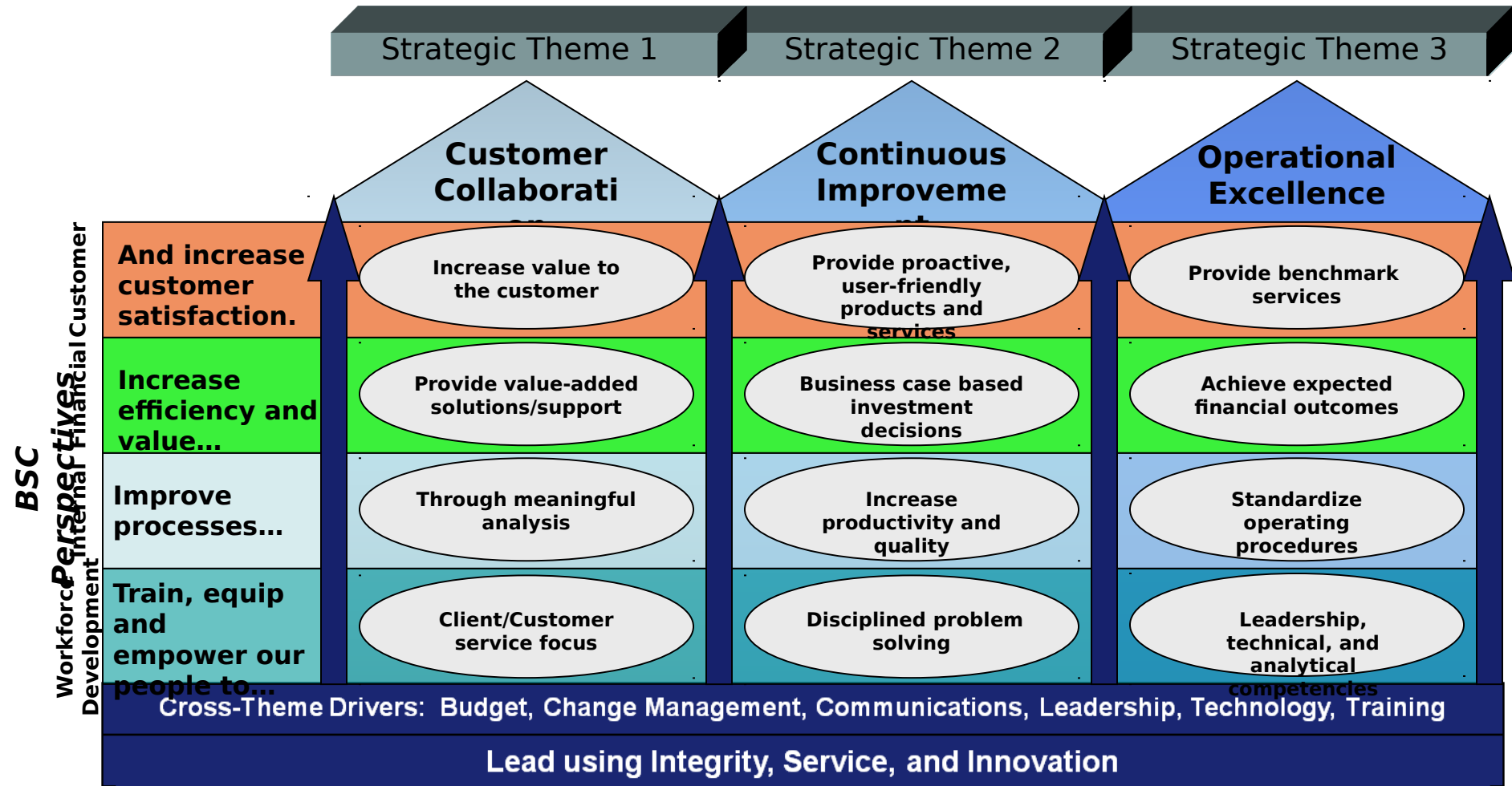*results*

- **Mission Statement**

  Lead the Department of Defense in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.
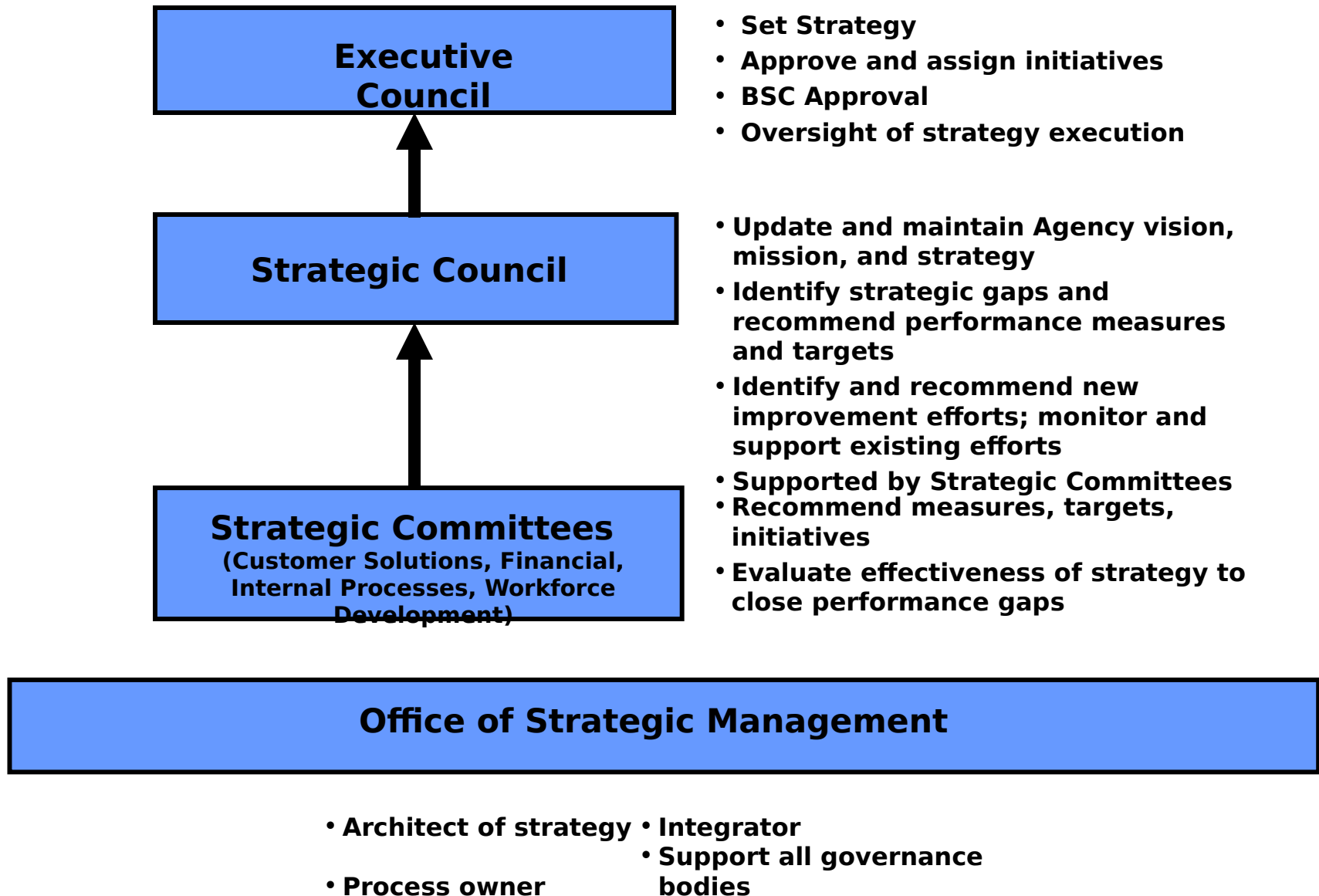
- **Vision Statement**

  To be the recognized leader in DoD's financial management by consistently delivering first-class service and products.

2010 – 2015 Strategy Map

Vision: *To be the recognized leader in DoD's financial management by consistently delivering first-class service and products.*

Strategic Theme 1	Strategic Theme 2	Strategic Theme 3
Customer Collaboration	**Continuous Improvement**	**Operational Excellence**

BSC Perspectives		Customer Collaboration	Continuous Improvement	Operational Excellence
Customer	**And increase customer satisfaction.**	Increase value to the customer	Provide proactive, user-friendly products and services	Provide benchmark services
Financial	**Increase efficiency and value...**	Provide value-added solutions/support	Business case based investment decisions	Achieve expected financial outcomes
Internal Process	**Improve processes...**	Through meaningful analysis	Increase productivity and quality	Standardize operating procedures
Workforce Development	**Train, equip and empower our people to...**	Client/Customer service focus	Disciplined problem solving	Leadership, technical, and analytical competencies

Cross-Theme Drivers: Budget, Change Management, Communications, Leadership, Technology, Training

Lead using Integrity, Service, and Innovation

Strategy Governance

Executive Council

- Set Strategy
- Approve and assign initiatives
- BSC Approval
- Oversight of strategy execution

Strategic Council

- Update and maintain Agency vision, mission, and strategy
- Identify strategic gaps and recommend performance measures and targets
- Identify and recommend new improvement efforts; monitor and support existing efforts
- Supported by Strategic Committees
- Recommend measures, targets, initiatives
- Evaluate effectiveness of strategy to close performance gaps

Strategic Committees
(Customer Solutions, Financial, Internal Processes, Workforce Development)

Office of Strategic Management

- Architect of strategy
- Process owner
- Integrator
- Support all governance bodies

Strategic Council Membership

Council Chair

Strategic Business Management Deputy Director Nancy Zmyslinski

Members

Principal Deputy Director   Gus Gustafson

Operations Deputy Director Steve Turner

Enterprise Management Director   Kathy Noe

Standards and Compliance Director   Dave McDermott

Advisors

Chief Financial Officer   Elaine Kingston

Chief Information Officer   Jerry Hinton

Internal Review (IR) Director   Laura Jankovich

Risk Management Officer   Barbara Burkhalter

Strategy Management Office Director   Lee Lopez

- **Customer Collaboration – Gus Gustafson**
- **Continuous Improvement – Kathy Noe**
- **Operational Excellence – Dave McDermott**

Theme: Customer Collaboration

Goal: Provide value-added customer solutions

Intent: Partner with customers and other enablers to clearly define negotiated expectations by balancing requirements, enterprise-wide standards and cost realities.

Customer Collaboration

Objectives

BSC Perspectives

Financial Customer

Internal

Workforce Development

	Customer Collaboration	Objectives
And increase customer satisfaction.	Increase value to the customer	•**Improve customer interactions**
Increase efficiency and value…	Provide value-added solutions/support	•**Accurately forecast revenue** •**Expand visibility of cost drivers**
Improve processes…	Through meaningful analysis	•**Provide routine and customized solutions**
Train, equip and empower our people to..	Client/Customer service focus	•**Understand customer needs**

Cross-Theme Drivers: Budget, Change Management, Communications, Leadership, Technology, Training

Lead using Integrity, Service, and Innovation

Customer Collaboration: Provide value-added

Intent: Partner with customers and other enablers to clearly define negotiated expectations by balancing requirements, enterprise-wide standards and cost realities.

Strategic Objectives	Definitions
Improve customer interactions	Engage in mutual communications that successfully identify customer requirements and DFAS capability to meet those requirements. Requirements/capabilities include initiatives, volume of effort/output, quality, and associated costs.
Accurately forecast revenue	Accurately forecast revenue based on negotiated agreements.
Expand visibility of cost drivers	Expand visibility of cost drivers by helping our customers understand the levers and behaviors that impact our performance and costs.
Provide routine and customized solutions	Conduct collaborative analysis to identify standardized and efficient processes to address routine and customized solutions that satisfy customer needs.
Understand customer needs	Employ relationship management competencies to continually improve service delivery and customer satisfaction.

Goal: Smart changes for better, faster results

Intent: Be more effective and efficient by both applying new capabilities and improving existing operations.

Continuous Improvement

Objectives

BSC Perspectives

Financial Customer	And increase customer satisfaction.	Provide user-friendly products and services	•Customer involvement in new capabilities and improved services
Internal	Increase efficiency and value…	Business case based investment decisions	•Achieve planned benefits
Workforce Development	Improve processes…	Increase productivity and quality	•Apply changes that best benefit the entire process •Eliminate unnecessary work
	Train, equip and empower our people to..	Disciplined problem solving	•Make process improvements

Cross-Theme Drivers: Budget, Change Management, Communications, Leadership, Technology, Training

Lead using Integrity, Service, and Innovation

Continuous Improvement: Smart changes for better,

Intent: Be more effective and efficient by both applying new capabilities and improving existing operations.

Strategic Objectives	Definitions
Customer involvement in new capabilities and improved services	Engage customers throughout the development process as a means to enhance the value of products and services, minimize changes post-implementation, and optimize use of new capabilities.
Achieve planned benefits	Achieve planned benefit. Implement initiatives that produce the most benefit for the least cost. Benefits should be financially or non-financially quantitative (cost reduction; % increase in customer satisfaction).
Apply changes that best benefit the entire process	Apply changes that increase productivity and quality and that best benefit the entire process by conducting root cause analysis-based improvements.
Eliminate unnecessary work	Ensure processes are based on current, valid requirements to support new and existing products, services and capabilities.
Make process improvements	Increase continuous improvement and disciplined problem solving proficiency through training, practical application, and leadership encouragement and support.

Goal: Deliver first-class products and customer service

Intent: Achieve superior results through a high-performing workforce, analytical capabilities, and standardized procedures.

Operational Excellence

Objectives

BSC Perspectives			
Customer	And increase customer satisfaction.	Provide benchmark services	•Deliver agreed upon service levels and quality
Financial	Increase efficiency and value...	Achieve expected financial outcomes	•Achieve a balance of expected performance levels and associated costs
Internal	Improve processes...	Standardize operating procedures	•Strengthen internal controls and manage risk •Execute standard operating procedures
Workforce Development	Train, equip and empower our people to..	Leadership, technical, and analytical competencies	•Achieve functional expertise •Grow leaders at all levels

Cross-Theme Drivers: Budget, Change Management, Communications, Leadership, Technology, Training

Lead using Integrity, Service, and Innovation
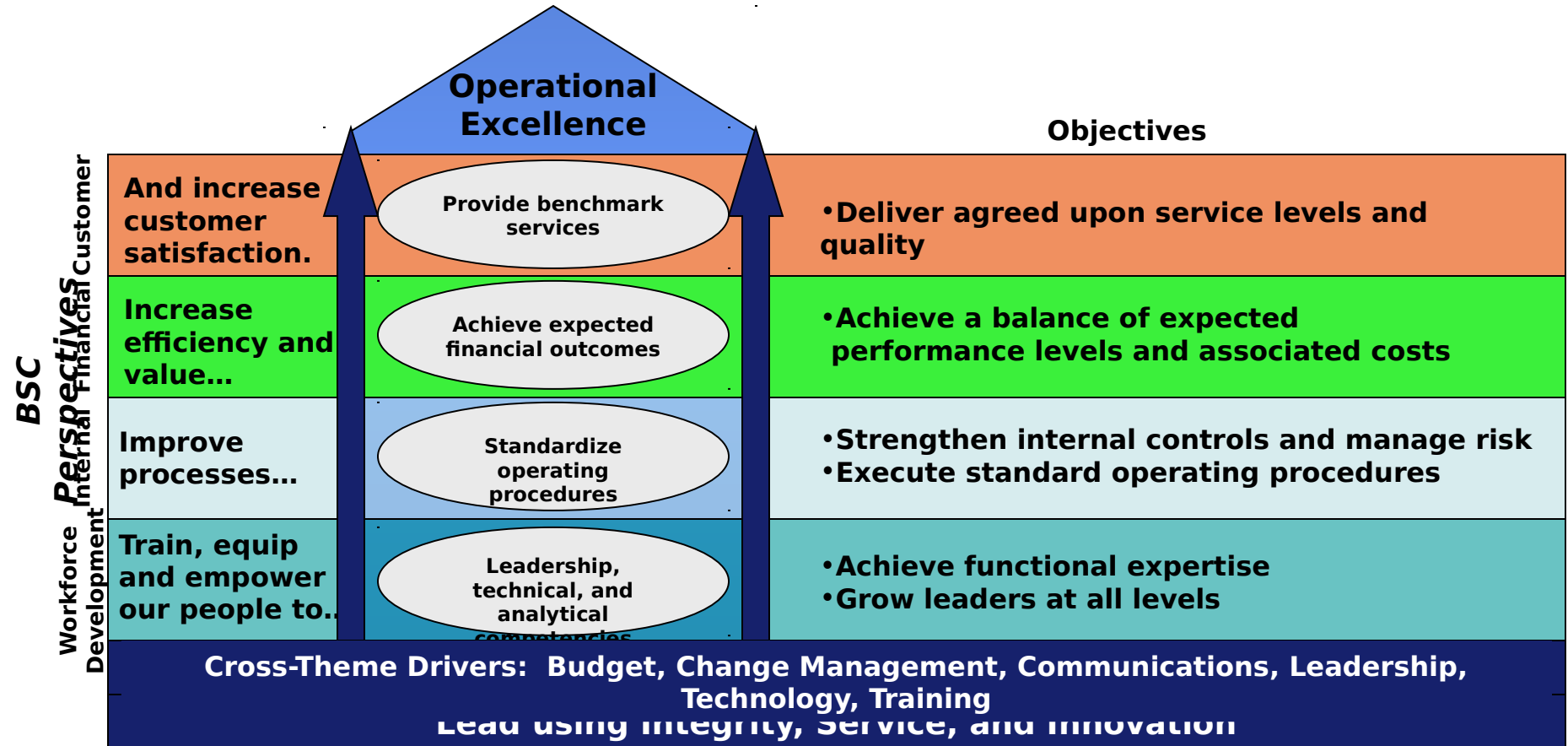
Intent: Achieve superior results through a high-performing workforce, analytical capabilities, and standardized procedures.

Strategic Objectives	Definitions
Deliver agreed upon service levels and quality	Achieve customer satisfaction ratings consistent with negotiated expectations.
Achieve a balance of expected performance levels and associated costs	Manage productivity levels to achieve a balance of expected performance levels and associated costs.
Strengthen internal controls and manage risk	Manage and mitigate risk by testing, validating and strengthening process models and internal controls across functional areas.
Execute standard operating procedures	Optimize performance by executing standard operating procedures for core business processes. Develop dedicated infrastructure to support customer audits.
Achieve functional expertise	Identify capability gaps and develop our skills aggressively. Acquire key competencies as necessary, and ensure that our expertise is allocated for maximum benefit. Work assignments are based on solid planning and match demonstrated competencies with identified customer needs.
Grow leaders at all levels	Increase leadership proficiency and willingness to engage at all levels through a training curriculum aligned to business objectives.

Strategy Development Checklist

Create the Strategy Map
- ☑ Develop Strategy Map
- ☑ Establish Strategic Objectives

Select Measures and Targets
- ☑ Select Measures
    - ☑ Identify Candidate Measures
    - ☑ Score Candidate Measures for Relevance and Reliability
    - ☑ Define Candidate Measure Scope and Identify Current State, Future State and Performance Gap
- ☐ Select Targets
- ☐ Executive Council to approve November 18

Select Strategic Initiatives
- ☑ Nominate Strategic Initiatives Needed to Close Gaps
- ☐ Executive Council to approve November 18

● **Strategic Committees were formed around each of the Balanced Scorecard Perspectives to establish gaps and measures for each objective**

● **The four Committees included:**

✓ Customer Solutions, chaired by Aaron Gillison

✓ Financial Stewardship, chaired by Elaine Kingston

✓ Internal Processes, chaired by Greg Schmalfeldt

✓ Workforce Development, chaired by Rosie Tinsley

Overview of Strategic Committees
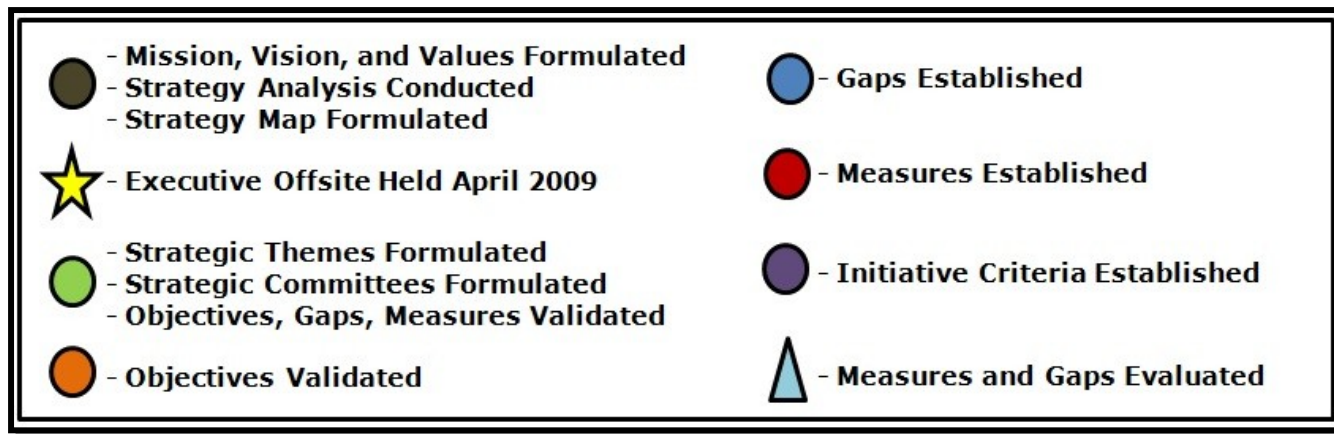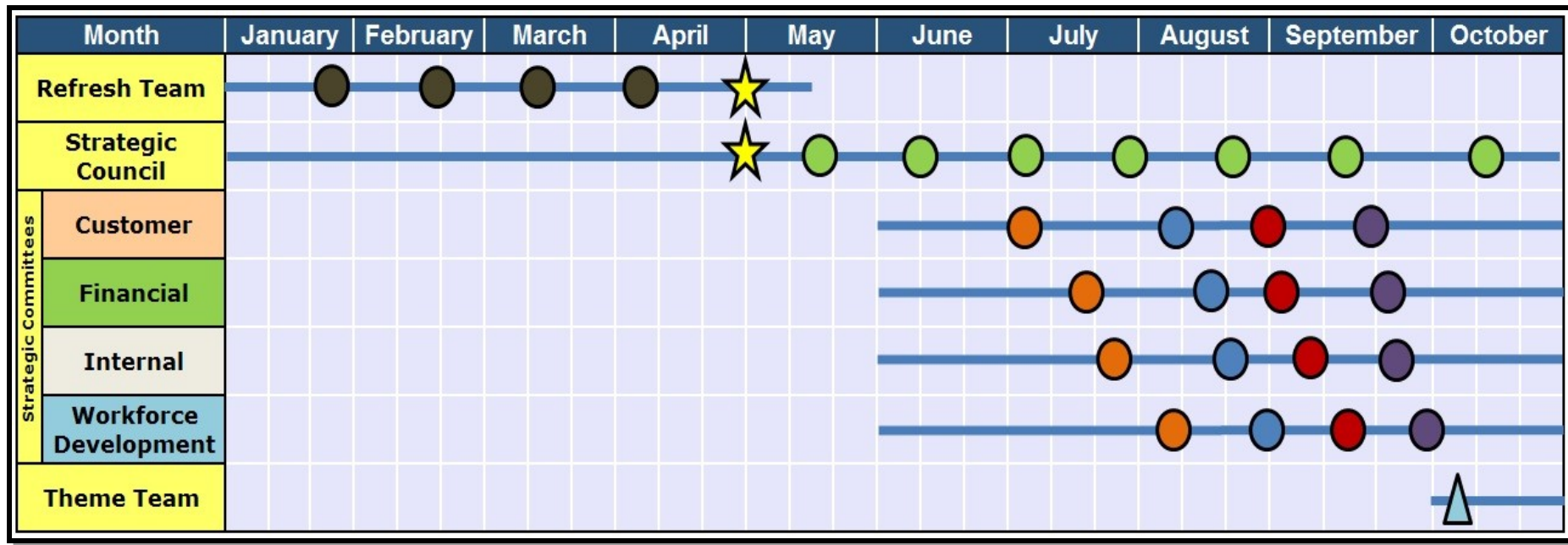
Process for Selecting Measures
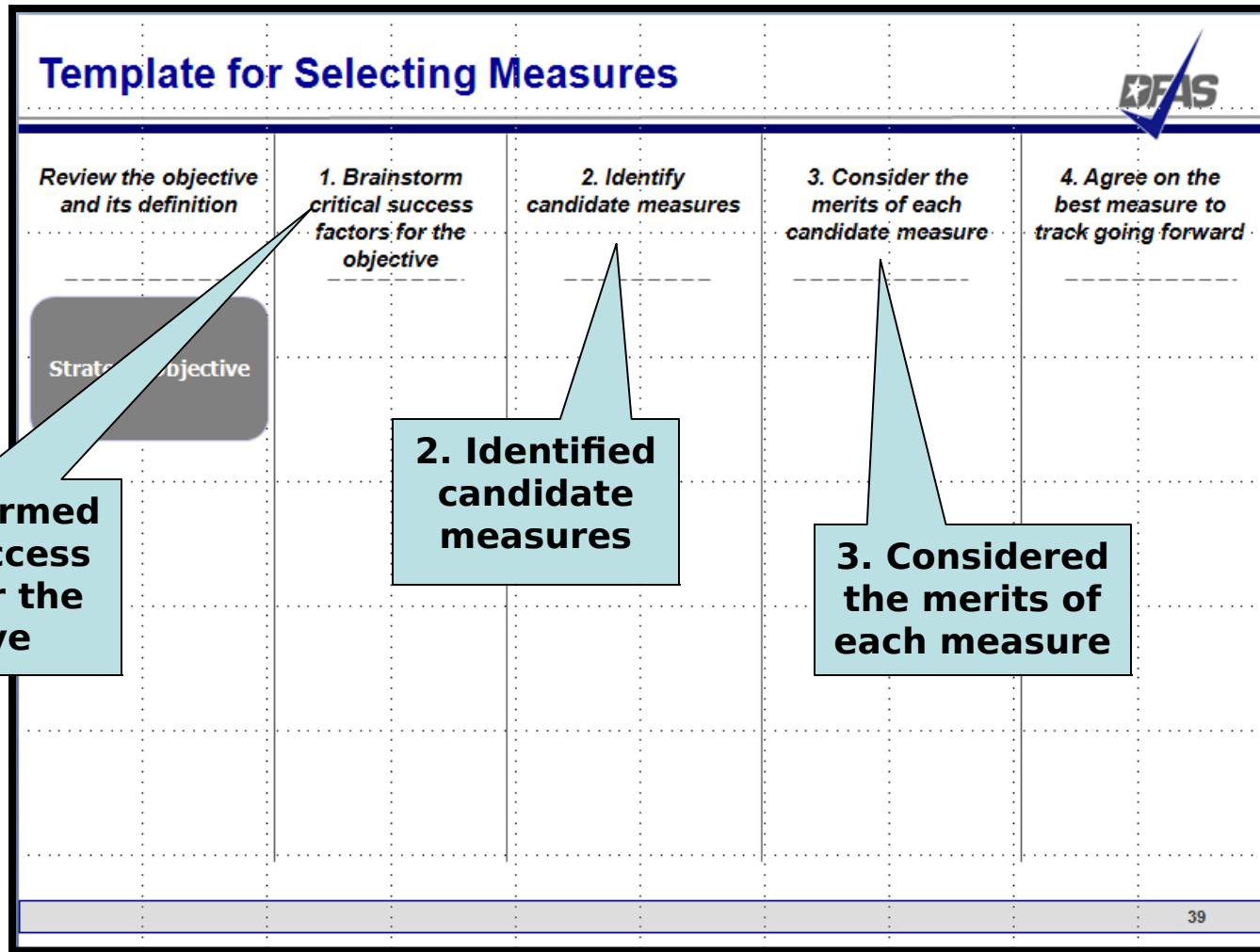
1. Score relevance

2. Score reliability

3. Score resource utilization

4. Plot reliability vs. relevance

Template for Scoring Measures on Relevance and Reliability

Average Relevance		00	05	10	15	20	25	30	TR
Predictive (30)	13			1	4	2	2		9
Feedback Value (30)	19	1		3		1		4	9
Timeliness (20)	11	2	1	2	1	3			9
Understandability (10)	6		8	1					9
Comparability (10)	7	3		6					9
Total (100)	55								
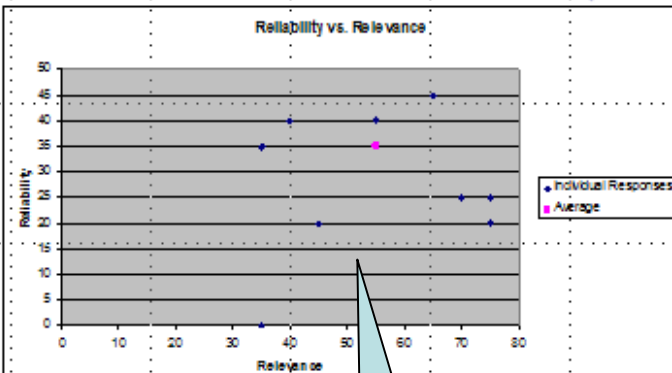
Average Resource Utilization	
Level of Effort	High
Collection Method	High
Maintenance	Med

Average Reliability		00	05	10	15	20	25	30	35	40	TR
Verifiability Auditable (10)	7	1	4	4							9
Depth of Data (10)	5	2	5	2							9
Consistency (10)	5	2	4	2							8
Neutrality Execution Data (20)	6	2		3							5
Base Data (10)	3	3		2							5
Representation of Faithfulness (40)	10	1	2	1		2					6
Total (100)	28										

Reliability vs. Relevance

Total Responses: 9
Effectiveness 100% (8 of 8 resp)
Efficiency 25% (2 of 8 resp)

10/12/2009

16

Template for Assessing Candidate Measures

Definition: Employ relationship management competencies to continually improve service delivery and customer satisfaction.

Candidate Metric:

Input Metric Here

High Level Scope:
• *Input Scoping Questions Here*.

Identify Initial Gaps:

Current State	Future State	Performance Gap

10/12/2009   13

1. Defined scope of measure

2. Defined current-state of measure

3. Defined future-state of measure

4. Defined performance gap

Process for Establishing Targets

Template for Establishing Targets

DFAS

r Each Candidate Metric:

1. Identified X&Y axes

2. Identified axes boundaries

3. Plotted notional current state

4. Plotted notional future state

5. Drew target vector

Input High Value

Input Y-Axis

GAP

Input Low Value

Input Low Value

Input X-Axis

t High Value

- Best Guess Current State
- Best Guess Future State
- Target Vector

10/12/2009

19
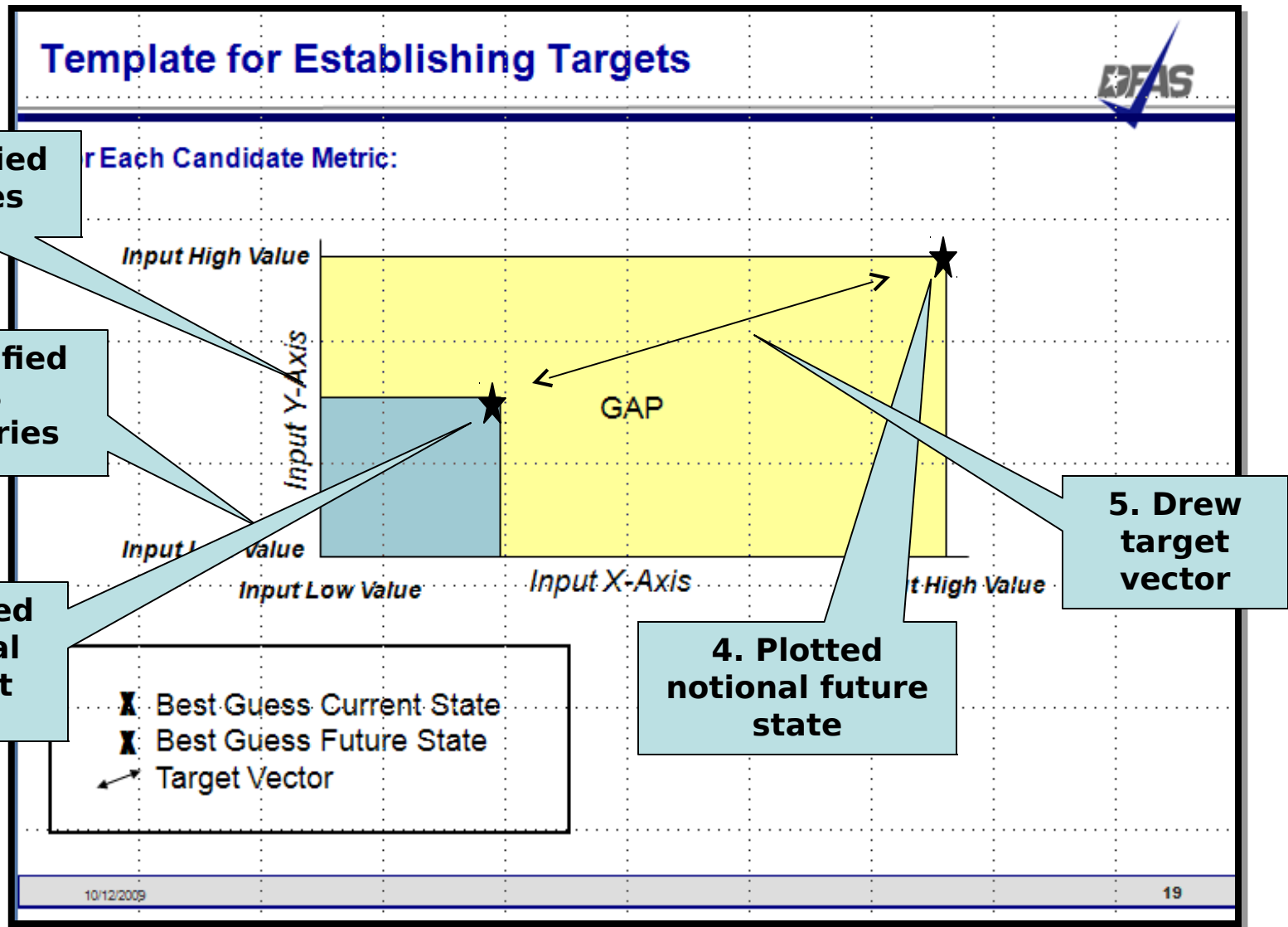
Template for Assessing Gaps and Measures by Theme   DFAS

	Objectives	Gaps	Measures
Achieve Expected Financial Outcomes			
Standardize Operating Procedures			
Leadership, Technical, and Analytical Competencies			

1. Evaluated gap statements against strategic goals/objectives

2. Checked congruence of candidate measures to gap statements

3. Evaluated causal relationships of Candidate Measures within theme

Customer Collaboration

Goal: Provide value-added customer solutions

Intent: Partner with customers and other enablers to clearly define negotiated expectations by balancing requirements, enterprise-wide standards and cost realities.

	Objectives	Gaps	Measures
Increase value to the customer	**Improve customer interactions**	• **Lack of optimized customer collaboration (frequency and quality)** • **Insufficient and non-integrated customer feedback (satisfaction data, outcomes, and opportunities)**	• **% contacts/interactions with successful outcomes** • **% of enterprise customer feedback with positive, collaborative resolutions and improved recovery**
Provide value-added solutions/ support	**Accurately forecast revenue** **Expand visibility of cost drivers**	• **Lack of analysis of monthly revenue earned by customer** • **Lack of unit-cost & rate modeling ability & "what-if" scenarios to influence customer behaviors**	• **% Accuracy Workload Execution to Plan** • **Unit Cost % Variance**
Through meaningful analysis	**Provide routine and customized solutions**	• **Insufficient business intelligence capability to inform/improve customer collaboration (methodology, analytics, tools, opportunities)**	• **# of opportunities identified as a result of programs/processes reviewed with customer collaboration**
Client/ Customer service focus	**Understand customer needs**	• **Lack of competencies and proficiencies in business analytics, consulting, and negotiating based on understanding the client and business impacts**	• **% Client Executives and employees in select key positions who are performing at or above the required proficiency level for necessary competencies**

Continuous Improvement

Goal: Smart changes for better, faster results

Intent: Be more effective and efficient by both applying new capabilities and improving existing operations

Objectives		Gaps	Measures
Provide proactive, user-friendly products and services	**Customer involvement in new capabilities and improved services**	• Limited customer involvement in new product/service development and failure to capitalize on existing capabilities with Department wide application • Limited understanding, communication, training and consulting to drive customer engagement	• % of projects (new capabilities and/or improved services) with customer involvement throughout the lifecycle • % customers using new and existing capabilities
Business case based investment decisions	**Achieve planned benefit**	• Lack of standard business case format requirements that address investment costs, sustainment costs, and the tracking and allocation (internal or external) of planned benefits • Lack of review process, during and post implementation, to evaluate progress/benefits against BCA	• Cost Performance Index (CPI) - Efficiency • % of Schedule - Status • SPI – Efficiency • % Return – Actual Benefits/Planned Benefits* *planned for 2011
Increase productivity and quality	**Apply changes that best benefit the entire process** **Eliminate unnecessary work**	• Insufficient business intelligence capability to inform continuous improvement efforts • Minimal internal information sharing as improvement efforts are initiated, planned and implemented • Inconsistent process for reviewing SOPs to eliminate unnecessary work • Lack of project selection against agency priorities	• % process improvements leveraged enterprise-wide • % of programs/processes reviewed resulting in the elimination of waste
Disciplined problem solving	**Make process improvements**	• Lack of continued application of skills • Lack of competencies and proficiencies in disciplined problem solving (BCA and project management) (measure Lean6 only?) and financial management solutions consulting • Limited opportunities for mid-grade leaders to lead/own projects	• % of mid-grade leaders leading/owning process improvement projects (what training/certification?)* • INTERIM: % of mid-grade leaders sponsoring and/or completing Green and Black Belt projects *consulting

Operational Excellence

Goal: Deliver first-class products and customer service

Intent: Achieve superior results through a high-performing workforce, analytical capabilities, and standardized procedures.

	Objectives	Gaps	Measures
Provide benchmark services	Deliver agreed upon service levels and quality	• Lack of Enterprise Service Level Standards, quantified at the operational level, with appropriate tracking mechanisms in place • Insufficient collaboration with customers to establish Standards • Limited enhanced training to customers in support of benchmark performance	• Performance against Enterprise Service Level Standards ** scope is dependant on ESLS milestones*
Achieve expected financial outcomes	Achieve balance of agreed upon performance levels and associated costs	• No common definition and understanding of productivity and inconsistent treatment across agency	• % Variance to Planned Productivity by customer and output ** scope is dependant on productivity milestones*
Standardize operating procedures	Strengthen internal controls and manage risk Execute standard operating procedures	• Inconsistent application of risk management methodologies (managing process models and internal controls) • Lack of proactive CONOPS to promote audit expectations and deliverables to drive Department-wide audit readiness • Inconsistent methodology for documenting SOPs and implementing them across the agency • Insufficient business intelligence capability to improve operations excellence (gathering, tracking, analysis, and identifying opportunities) and improve the Client Exec/customer collaboration	• % of key controls that are owned, documented, tested, validated, and operating within tolerance threshold levels • % of programs/processes executing standard operating procedures • % of audit readiness measured against financial improvement plans (FIP)
Leadership, technical, and analytical competencies	Achieve functional expertise Grow leaders at all levels	• Lack of unique competencies and proficiencies necessary to support strategic priorities • Lack of universal technical and analytical competency capability/stability • Lack of agency culture that makes "growing leaders" everyone's responsibility to ensure employees are willing, able and motivated to take the initiative to assume more leader responsibilities • Heavy reliance on select few leaders	• % employees supporting a strategic priority who have met or exceeded the proficiency level for the technical and analytical competencies for that priority • % of employees actively participating in or have completed a leadership program

- **Executive Offsite breakout discussions will focus on Agency strategy**
  - ✓ **Socialize 2010-2015 strategy**
  - ✓ **Establish consensus regarding leadership roles, responsibilities and actions to execute the strategy**
  - ✓ **Build understanding of how Agency strategy will direct our day-to-day decisions**

- **Post-Offsite**
  - ✓ **Strategic Council and Committees to consider feedback/input provided at the Executive Offsite**
- **DFAS Balanced Scorecard to launch on Jan 1**
  Strategic Council consider a recommendation to the Executive Council

> **Executive Offsite Breakouts**
> **Breakout #1: Strategic Themes**
> **Breakout #2: Strategic Themes Continued**
> **Breakout #3: Strategic Initiatives**
> **Breakout #4: Cascading via Organizations**

Breakout Session Introduction

Wednesday, 4 November:

Breakout #1: Strategic Themes
(90 minutes: 10:00–11:30)

Session Goals

- **Present Strategy Map as a tool**
- **Understand the impact of the Strategy Map on every employee**
- **Understand individual relationship to the Strategy**

Breakout #2: Strategic Themes continued
(tomorrow morning: 8:00–9:30)

Session Goals

- **Present Strategic Theme Goals, Objectives, Performance Gaps, and Proposed Measures**
- **Provide feedback to the Strategic Council**
- **Identify individual role in executing the Strategic Theme**

Feedback from the Breakout Sessions will be captured and handed off to the Strategic Council/Committees.

Back Up

Committee Chair

Rome Site Director   Aaron Gillison

Committee Members

CIO   Jerry Hinton
S&C Deputy Director   Rick Davis
Columbus Site Deputy Director   Pam Franceschi
Cleveland Site Deputy Director   Chet Boutelle

Working Group Members

Client Executive   Pat Beckerle (Working Group Chair)
Limestone Site Director   Wayne Ingle
Client Executives   Mike Lavelle, Charlayne Martin, Tony
   Hullinger   John Motley, Jim Jeo
IMS Dashboard   Mike Leist*
Corporate Communications   Roxanne Olson, Joe Hatcher
ERM   Susan Gillison*
Project Manager, MyMetrics   Sharon Banks
DFAS Rome CSI   Courtney Warner, Stephanie Swanson
PMCoE   Jeff Gryczan*
Lean6   Joe Jankite*
Performance Measurement   Keith Counihan, Monica Herron*
OSM   Cynthia O'Brien*

* = SME

Committee Chair

CFO   Elaine Kingston

Committee Members

Columbus Site Director   Jonathan Witter
Indianapolis Site Director   Edna Knight
Policy & Performance Director   Carl Francis
Enterprise & Component Solutions Director   Tom Murphy

Working Group Members

EMS   Mike Williams (Chair), Paul Gass
Accounting Operations   Jim Likes
PPM   Kathy O'Conner
FMCoE   Ron Murlin
Site Specialist   Steve Price, Anthony Bruce
OSM   Jim Snyder, Jiro Akiyama
PMCoE   Tara Mackey*
Lean6   Simone Lordier*
IMS Dashboard   Andy Moxley*, Dan Frisby*
CIO   Joe Latchaw*
Performance Measurement   Cathy McAuley*, Andrew Tyler*
Corporate Communications   Steve Beckley*

* = SME

Committee Chair

Deputy Director, Standards   Greg Schmalfeldt

Committee Members

Risk Management Officer   Barbara Burkhalter

FMCoE Director   Steve Bonta

Deputy Director, CIO   Judy Munger

Director, Internal Review   Laura Jankovich

Working Group Members

Chief of Staff, SBM   Ron Cox (Chair)

OSM   Terri Adrahtas, Ray Sylvain

PMCoE   Christal Spicer*

Lean6   Keith Furman*

IMS Dashboard   Mike Leist*

CIO   Altaf Hussein*

Performance Measurement   Chuck Ruoff,* Detra Harris*

Corporate Communications   Kevin Jackson*

EA for Deputy Director, Standards   Kevin Welk

Director, Metric and Initiatives, S&C   Alex Robertson

* = SME

Committee Chair
Transformation Director   Rosie Tinsley

Committee Members
Cleveland Site Director   Martha Smith
Indianapolis Deputy Site Director   Audrey Eckhart
General Counsel   Jack Mester
Human Resources Director   Larry Schmalfeldt
EEO Director   Mary Legree-Ford

Working Group Members
Human Resources   Gail Crawford (Co-Chair)
Military Pay Operations   Tom Roberts (Co-Chair)
Human Resources Deputy Director   Kathy Hendrickson
Accounting Operations Deputy   Melissa Sikora
OSM   Danelle Scotka, Ana Fernandez
ERM   Renee Schmidt*
PMCoE   Nancy Sullivan*
Lean6   Jim Layton*
IMS Dashboard   Andy Moxley*
CIO   Debbie Cramer*
Performance Measurement   Lynda Pysel, Norma Detorrel*
Corporate Communications   Joe Hatcher*

* = SME